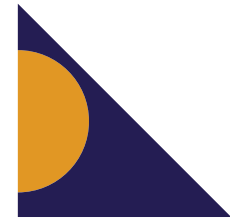
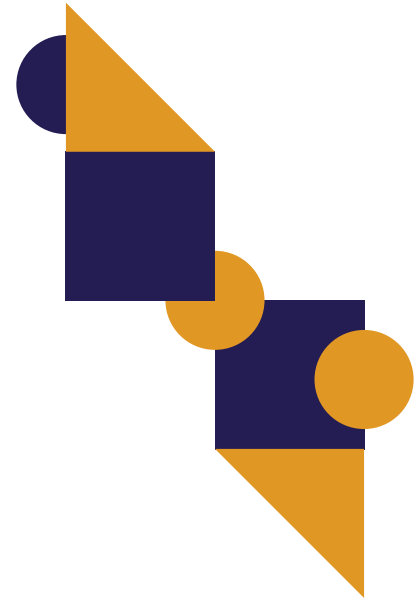
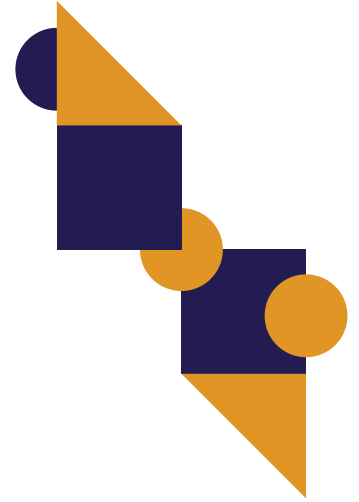




THE CCRE HOUSING SUMMIT: CHARTING CALIFORNIA'S FUTURE REPORT

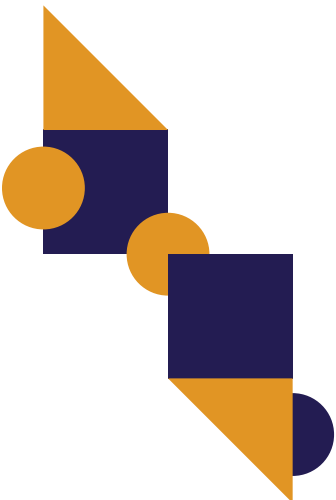




INTRODUCTION

The Center for California Real Estate (CCRE) Housing Summit: Charting California's Future convened leading experts, policymakers, and thought leaders to tackle the pressing challenges facing California's housing landscape. The Summit, which took place on October 30, 2024, fostered deep, actionable conversations aimed at identifying and implementing innovative solutions to the state's housing crisis.

Attendees heard from distinguished keynote speakers and panel slates comprised of top experts from California and across the country. These discussions offered diverse perspectives on tackling the state's complex housing issues, providing both analytical depth and innovative strategies. The CCRE Housing Summit not only highlighted the critical challenges like affordability and access but also delved into the broader social impacts of housing policies on community stability and economic growth. Through collaborative dialogue, the event charted potential pathways for housing solutions in California moving forward.





KEYNOTE: SENATE PRESIDENT PRO TEMPORE EMERITUS TONI G. ATKINS



Senate President pro Tempore Emeritus Toni Atkins opened the CCRE Housing Summit with a keynote address that emphasized the pivotal role state policy plays in addressing California's housing crisis.

As a seasoned legislator and a pivotal figure in state politics, Atkins has been instrumental in introducing and passing significant housing reforms

aimed at increasing affordability and access to homes across the state. Her remarks noted the intersectionality of which the event brought together representatives from various sectors acknowledging, "The work to address our state's housing crisis doesn't rest on any single group. It's going to take every single one of us!"

KEY TAKEAWAYS:

- 1 Legislative Initiatives:** Senator Atkins highlighted her legislative successes and outlined bills aimed at expanding housing supply and affordability across California, such as Senate Bills (SB) 2 and 9 and the California Dream for All program.
- 2 Statewide Collaboration:** Atkins emphasized the need for cross-industry collaboration, bringing together diverse stakeholders to increase housing production and overcome bureaucratic and political hurdles.
- 3 Equitable Housing Access:** Senator Atkins emphasized the importance of equitable access in housing policies, advocating for initiatives that aim to make housing more accessible and affordable for all Californians.

LEGISLATIVE PRIORITIES AND ACHIEVEMENTS

Senator Atkins outlined her legislative accomplishments, which have been shaped by her deep commitment to solving the housing affordability crisis in California. She detailed the passage of Senate Bill (SB) 2, SB 9, and funding for the California Dream for All Program, all bills and programs sponsored or supported by her and the CALIFORNIA ASSOCIATION OF REALTORS®.

1 SB 9 – Promoting Gradual Housing Density: This law, which aims to gradually increase housing density over time, allows for the creation of duplexes and lot splits on single-family zoned lots. Atkins underscored her work to improve the law to hold local municipalities accountable to their state-mandated housing construction goals. She discussed the crafted of the bill to close loopholes that cities might have used to block development.

2 SB 2 – Permanent Funding for Affordable Housing: According to Atkins, this law generates up to \$400 million annually for affordable housing and housing-related initiatives. However, Atkins also acknowledged that this sum falls short of the previous, \$1 billion annually provided by former redevelopment agencies, illustrating the ongoing challenge of funding affordable housing in California.

3 California Dream for All – Homeownership Assistance: Senator Atkins spotlighted the benefits of the California Dream for All program. This initiative, which she helped secure funding for, is a shared appreciation loan program that helps low-to-moderate income families become first-time homeowners. With over \$500 million allocated, the program has already assisted approximately 4,000 families.

FOCUS ON EQUITY

Atkins also addressed the critical intersection of housing development with social equity. She stressed the importance of designing housing policies that not only address the quantity of housing but also who has access to it. Atkins advocated for programs that ensure accessibility for all Californians.

CHALLENGES AHEAD

While Atkins provided hope for an abundant housing future in California, she also urged diligence throughout the years to come. The senator called for a unified approach to overcome the not-in-my-backyard (NIMBY) attitudes that often hinder housing projects.

“We have a long road still ahead of us,” she cautioned, noting that some





constituencies still want to limit development. From Atkins's perspective, more NIMBY-inclined views are expressed by exclaiming that developers merely try to make money off a housing supply problem that doesn't exist. However, Atkins opined that had we started addressing the housing challenges decades ago, the units built then might be more naturally affordable today.

Senator Atkins spotlighted the critical need for collaboration and collective action among all stakeholders involved in housing and real estate. She stressed, "I think that it is incumbent upon all of us to realize that we each have a role. Whether we're policymakers, advocates, developers, financiers, we each have a role to play, and we each need to have a louder voice." This call to action underscored the urgency of the housing issues at hand and the multifaceted approach required to address them.

LOOKING FORWARD

Senator Atkins emphasized the importance of continuous innovation and the pursuit of novel solutions, whether through legislative action, development incentives, or supportive programs tailored to meet people where they are. She expressed confidence that the groundwork for significant improvement has been laid, but maintaining momentum would require courage,

focus, and intentional efforts from both industry leaders and government officials.

Atkins urged all attendees at the Summit to seize the opportunity to enact bold, transformative changes in housing policy. She envisioned a future where every Californian could afford to live in the Golden State. To achieve this vision, Atkins said, "The future of housing will need to focus on increasing production, keeping people housed, and expanding homeownership options." Her vision set an ambitious agenda for continued advocacy and action, emphasizing that achieving these goals will require persistent effort and innovative thinking.





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**- SENATE PRESIDENT PRO TEMPORE
EMERITUS TONI ATKINS**





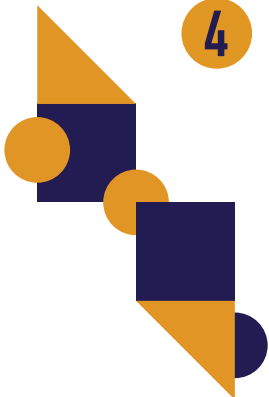
PANEL – STATE OF HOMEOWNERSHIP: TRENDS, CHALLENGES AND OPPORTUNITIES

The “State of Homeownership: Trends, Challenges and Opportunities” panel, moderated by Stuart Gabriel, Director of the UCLA Ziman Center for Real Estate, delved into the multifaceted issues facing California’s housing market. Additional panelists included Ron Galperin, former Los Angeles City Controller; Tiena Johnson Hall, then Executive Director of the California Housing

Finance Agency; Edward Coulson, Director of the UC Irvine Center for Real Estate; Tara Roche, Project Director of The Pew Charitable Trusts’ Housing Policy Initiative; and Dowell Myers, Professor of the USC Sol Price School of Public Policy. They each brought unique insights into the constraints and opportunities within the state’s housing landscape.

KEY TAKEAWAYS:

- 1 Dual Benefits of Homeownership:** Homeownership not only builds personal wealth but also significantly enhances community engagement and property values, with areas of higher homeownership rates seeing enhanced neighborhood valuations.
- 2 Addressing Racial Disparities:** Down payment assistance programs have improved homeownership rates among minority populations, notably helping 19,000 people become homeowners in three years.
- 3 Impact of Regulatory Hurdles:** Extensive local regulations significantly delay housing development in areas like Los Angeles, with many projects taking up to five years to complete, underscoring the need for regulatory reform.
- 4 Economic and Demographic Shifts:** Substantial mismatch exists between employment growth (17% increase) and housing development (only a 6% increase) in Southern California, highlighting how demographic shifts and remote work trends are reshaping housing demand.





(L-R) Stuart Gabriel, Director of the UCLA Ziman Center for Real Estate; Ron Galperin, former Los Angeles City Controller; Tiena Johnson Hall, then Executive Director of the California Housing Finance Agency; Edward Coulson, Director of the UC Irvine Center for Real Estate; Tara Roche, Project Director of The Pew Charitable Trusts' Housing Policy Initiative; and Dowell Myers, Professor of the USC Sol Price School of Public Policy.

CURRENT STATE AND BENEFITS OF HOMEOWNERSHIP

Stuart Gabriel opened the discussion by highlighting California's low homeownership rates, particularly among minority populations, and the stark affordability issues along the coastal regions. He invited panelists to dissect these challenges and explore forward-looking solutions.

Building on the issues raised by Gabriel, Edward Coulson delved into the broader implications of homeownership. He emphasized not only its role in personal wealth accumulation but also its positive impact on community cohesion and civic engagement. By citing his research, Coulson illustrated how neighborhoods with higher rates of homeownership often see enhanced property values, which benefit the community at large. He stated, "I think we showed conclusively that neighborhoods that have more owner-occupied properties actually have higher values."

However, he stressed that these private advantages alone do not fully justify policies aimed solely at promoting homeownership. The broader societal benefits of homeownership

were then highlighted. Coulson explained that homeowners tend to be more active and engaged community members who maintain their properties diligently, which contributes to overall neighborhood upkeep and aesthetics. This higher level of community involvement not only strengthens social bonds but also enhances the social fabric of neighborhoods.

Ron Galperin shared a personal narrative about his immigrant parents, illustrating how homeownership was integral to their achievement of the American dream and their children's future success. He expressed concerns over the diminishing accessibility of homeownership today, highlighting the need for policy interventions to address this challenge.

Galperin also pointed out the economic ripple effects of homeownership, noting that homeowners frequently invest in home improvements, which stimulates local economies and supports various industries.

RACIAL DISPARITIES AND SOLUTIONS

Tiena Johnson Hall, who has since left her role at California Housing Finance Agency's (CalHFA) and been appointed to serve as





General Manager of the Los Angeles Housing Department, brought focus to what she dubbed “the greatest threat to homeownership” as racial disparities in homeownership, explaining how systemic issues have historically limited access for Black, brown, and Asian communities.

She shared success stories from CalHFA programs that provided down payment assistance, noting significant improvements in homeownership rates among people of color. Johnson Hall reported, “Just in three years, we’ve been able to get 19,000 people into a home who otherwise would not have been able to qualify.” Noting 60% of applicants identify as people of color, she highlighted the effectiveness of these programs in reducing racial homeownership gaps.

Tara Roche discussed the broader trends affecting homeownership, including the lack of access to credit for minority and low-income families. When comparing white and Black households, Roche pointed out the 30-point percentage gap in ownership, the highest in decades.

She mentioned the disparities in financing, particularly for manufactured homes, where “three-quarters of Black manufactured home applicants are denied credit.” Roche advocated for modernizing financing

regulations and expanding downpayment assistance programs to broaden access to homeownership.

Echoing the pernicious history of past prejudices, Galperin gave examples of policies such as deed restrictions, red lining, and G.I. bill limitations for people of color. To move forward, he said, “We cannot be a nation and we cannot be a state with these kinds of disparities and really live up to the aspirations of what we say we want to be.”

Offering a slight counterpoint, Dowell Myers pointed to the trend in California where the gap between white and Black and brown households is dropping not necessarily because of the increase in homeownership of Black and brown but rather due to the collapse of white homeownership. He argued that the current gap is wider between older and younger generations.

The gap between those over 60 and those under 40 is approximately 45%. Exacerbated by a persistent lack of supply, younger people experience significant hurdles to achieving homeownership. He said, “It all comes back to shortages. We’ve got to solve that,” or he argued aspiring homeowners in the millennial and Gen Z generations won’t have the opportunity to step into homeownership.

**“IT ALL COMES BACK
TO SHORTAGES. WE’VE GOT
TO SOLVE THAT.”**

- DOWELL MYERS, USC SOL PRICE SCHOOL OF PUBLIC POLICY



DEMOGRAPHIC SHIFTS AND HOUSING MOBILITY

Gabriel and Myers discussed the patterns of mobility and migration affecting California. Myers highlighted significant trends affecting migration. Since 2010, there has been an approximately one-third decline in the percentage of people moving annually, a trend Myers attributes to housing shortages that inhibit residents' ability to find new housing and thus reduce mobility.

Myers presented a problematic gap between employment growth and housing development, particularly in the Southern California region. Since 2000, there has been about a 17% increase in employment but only a 6% increase in housing development, illustrating a substantial mismatch that poses challenges for accommodating California's workforce.

This disparity is less severe nationwide, where the gap is about one-third as large, indicating a unique challenge for California. Myers used a rhetorical question to emphasize the need for more housing: "Where do the workers go to sleep at night?" His question highlighted the link between job growth and housing availability, stressing the urgency of expanding the housing supply to keep pace with economic growth.

Gabriel partially answered the question by pointing out the impact of the post-pandemic surge in remote work on housing preferences and locations. Remote work has enabled employees to move to more affordable areas, leading to changes in housing demand and characteristics, which Gabriel noted is reflected in new construction trends.



Stuart Gabriel, Director of the UCLA Ziman Center for Real Estate and Ron Galperin, former Los Angeles City Controller

OVERCOMING REGULATORY HURDLES IN HOUSING PRODUCTION

Gabriel mentioned his research highlighted the substantial challenges caused, in large part, by local regulations, noting that developing new multi-unit housing in Los Angeles can take up to five years. Galperin criticized the extensive regulatory environment, emphasizing that while each regulation might be well-intentioned, their collective impact creates a bureaucratic mess that can delay projects and inflate costs by 30 to 40%. He advocated for significant reductions in regulations to enable faster and more efficient housing development.

Johnson Hall supported the need for urgent regulatory reform, emphasizing the personal and immediate nature of housing challenges. She discussed initiatives to foster collaboration to streamline the housing production process,





arguing that a personal approach could unite stakeholders and accelerate necessary reforms.

FEDERAL MONETARY POLICY AND ITS IMPACT ON HOUSING

Gabriel discussed the U.S. Federal Reserve's monetary policy changes. He questioned the potential impact on homeownership and subsequent resurgence of adjustable-rate mortgages (ARMs) due to the widening spread between long- and short-term rates.

Coulson critiqued the Fed's timing in rate cuts, suggesting they were mismanaged. He highlighted his research that suggests rental inflation is inaccurately measured, which masked the need for earlier stimulus. Coulson said, "There's an old saying that the Fed overreacts and they do it too late." He also said the mortgage "lock-in effect" exacerbates the housing supply shortage. Coulson noted that ARMs could help new buyers enter the market, sharing his positive personal experience with an ARM.

NAVIGATING MORTGAGE RISK AND ACCESSIBILITY

Discussing mortgage finance practices, panelists highlighted the shift from the risky approaches of the early 2000s to today's conservative lending practices. Johnson Hall once again emphasized the success of the California Dream for All program, which not only provides significant down payment assistance but also recycles funds back into

CalHFA once the homeowner sells the property. This sustainable model supports ongoing investment in homeownership for future generations of homebuyers, independent of economic fluctuations.

Roche addressed the challenges in today's mortgage market, particularly for low-cost homes under \$150,000, which rarely secure traditional financing. She proposed leveraging technology to reduce the costs of issuing small mortgages, making it feasible for more families to access homeownership. Roche also discussed the risks associated with alternative financing methods like land contracts, which can lead to equity stripping and other financial vulnerabilities.

CONCLUSION

The panel called for a concerted effort to implement policy solutions that not only increase the housing supply but also ensure equitable access to affordable housing and homeownership opportunities. Panelists acknowledged that making progress in expanding homeownership means addressing racial disparities in homeownership rates, ensuring programs lift up all communities.

The discussion also focused on the pressing need to tackle regulatory hurdles that significantly delay housing development, where projects can languish for years. Furthermore, they drew attention to the economic and demographic shifts that have led to a substantial mismatch between employment growth and housing development. By tackling these issues, panelists believe we can create a dynamic housing market that responds adeptly to California's unique challenges.



PANEL – BUILDING TOMORROW: HOUSING SUPPLY BARRIERS AND SOLUTIONS

The “Building Tomorrow: Housing Supply Barriers and Solutions” panel, moderated by Liam Dillon, Staff Writer at the *Los Angeles Times*, brought together a diverse group of experts to tackle the challenges and propose potential solutions to California’s housing supply issues. Panelists included Elizabeth Carvajal, Deputy Director of Planning in Land Use at the Southern California Association of Governments (SCAG); Dan Dunmoyer, President & CEO of the California Building Industry Association (CBIA); Christopher

Johnson, Vice President of Development at Related California Affordable; Sujata Srivastava, Chief Policy Officer at the San Francisco Bay Area Planning and Urban Research Association (SPUR); and Jason Ward, Co-Director of the RAND Center on Housing and Homelessness. Together, they explored the multifaceted barriers to housing development and discussed strategic approaches to significantly boost housing production across the state.

- 1 Regulatory Modifications Prove To Enhance Housing Production:** Reductions in bureaucratic hurdles have significantly increased accessory dwelling unit (ADU) production in California, from 2,000 units to 18,000 annually. Similarly, state streamlining measures like SB 35 have expedited the permitting process for affordable housing units, bypassing common regulatory hurdles and demonstrating how targeted legislative actions can effectively enhance housing availability.
- 2 Persistent Regulatory Barriers:** Despite legislative efforts, multiple panelists highlighted the unintended consequences of various regulations that, while designed to facilitate housing production, actually create significant hurdles. Examples include restrictive insurance policies for condos, utility limitations for all-electric homes without adequate power supply, and environmental protections that complicate land use across much of California.
- 3 Need for Consistent Funding and Comprehensive Approach:** Panelists emphasized the necessity for consistent funding sources for housing, noting that sporadic funding fails to address the ongoing nature of the housing crisis. They suggested a comprehensive approach to reforming both financing mechanisms and housing policy frameworks to truly enhance housing production across the state.





THE SCALE OF THE CRISIS

Dillon introduced the discussion by highlighting a daunting statistic from a City of Los Angeles report, estimating a \$22 billion cost to end homelessness in the city over the next decade, with a statewide need reaching \$100 billion — comparable to the annual budget for the entire California K-12 education system. This set the stage for a dialogue on the scale of the housing crisis and the necessity for innovative approaches beyond current strategies.

Ward criticized the siloed approach to subsidized housing, suggesting it relies too heavily on uncertain federal matching funds and maintains problematic status quos in housing policy. Ward argued for radical regulatory reforms to open up the market, such as Los Angeles Mayor Karen Bass's Executive Directive 1, which initially reduced the time to produce 100% affordable housing but was scaled back due to local opposition. These reforms, he contended, could lower costs and more effectively prevent homelessness. Ward emphasized, "It's not even clear we have the scale to spend \$20 billion in public subsidized

housing production, but I think it's a lot more clear that we could do some controversial regulatory reform that would open up the whole city to upzoning."

Srivastava expanded on the need for streamlined delivery systems and financing mechanisms. She highlighted international examples where upfront capital from national governments enabled quicker, more cost effective construction. She pointed to the success of modular construction in San Francisco, which decreased building costs by over 50%, as a model that should be scaled up in conjunction with regulatory simplification.

Johnson illustrated the complexities of funding affordable housing projects, detailing a typical scenario where assembling various funding sources takes years. Johnson explained, "We're spending five years in pre-development, chasing dollar after dollar, and each dollar does come with its own set of restrictions, all very well-intentioned." He shared that developing a single project could involve navigating myriad restrictions from multiple funding sources, often taking up to eight years from concept to completion, significantly impeding the ability to address urgent housing needs promptly.



(L-R) Liam Dillon, Staff Writer at the *Los Angeles Times*; Elizabeth Carvajal, Deputy Director of Planning in Land Use at the Southern California Association of Governments (SCAG); Dan Dunmoyer, President & CEO of the California Building Industry Association (CBIA); Christopher Johnson, Vice President of Development at Related California Affordable; Sujata Srivastava, Chief Policy Officer at the San Francisco Bay Area Planning and Urban Research Association (SPUR); and Jason Ward, Co-Director of the RAND Center on Housing and Homelessness

Dunmoyer emphasized the impact of regulatory burdens on housing costs. He pointed out the stark contrast in permit processing times between California and other states, suggesting that reducing fees and streamlining permits could substantially increase housing production. He cited the success of ADUs in California, where reducing bureaucratic hurdles increased production from 2,000 units to 18,000 annually. He argued that similar reductions in regulatory constraints could potentially transform the broader housing landscape by making it much more efficient and affordable.



Elizabeth Carvajal, Deputy Director of Planning in Land Use at the Southern California Association of Governments (SCAG), Dan Dunmoyer, President & CEO of the California Building Industry Association (CBIA) and Christopher Johnson, Vice President of Development at Related California Affordable

“WE’RE SPENDING FIVE YEARS IN PRE-DEVELOPMENT, CHASING DOLLAR AFTER DOLLAR, AND EACH DOLLAR DOES COME WITH ITS OWN SET OF RESTRICTIONS, ALL VERY WELL-INTENTIONED.”

**- CHRISTOPHER JOHNSON,
RELATED CALIFORNIA AFFORDABLE**

CHALLENGES IN LEGISLATIVE HOUSING EFFORTS AND PRODUCTION

Dillon initiated a discussion about the impact of new housing laws in California by highlighting that despite over 100 laws passed over the years to boost home construction, housing production numbers have hardly increased.

Dunmoyer responded by illustrating the counterproductive nature of many regulations, even as new laws are enacted to foster housing development. He detailed various impediments such as insurance availability for condos, utility constraints for all-electric homes, and environmental regulations protecting various endangered species, which complicate development across the state.

Carvajal discussed the overwhelming nature of implementing new housing laws, especially for smaller cities without dedicated staff to execute. She highlighted the effectiveness of state-funded initiatives like the regional early action planning grant program, which supports local jurisdictions in overcoming barriers to housing production. Carvajal noted, “If we have new requirements, there need to be resources to help jurisdictions at the local level,” to understand and implement the enacted changes.

Srivastava pointed to successful state streamlining measures like SB 35, which significantly increased the rate of housing permits for affordable units by exempting them from certain regulatory hurdles. She argued that while these measures have sped up the permitting process, broader adoption and adaptation to urban infill models are necessary to truly enhance housing production in high-cost areas.





PROPOSED SOLUTIONS TO STREAMLINE HOUSING PRODUCTION

Dillon prompted panelists to consider the most impactful barrier they would remove to enhance home building in California. The responses highlighted a mix of regulatory and financial challenges that, if addressed, could significantly impact housing production.

Ward advocated for the statewide application of the “builder’s remedy,” which effectively suspends local land use and zoning laws to facilitate housing development, as long as the projects include 20% of affordable units. This approach had led to a surge in housing proposals in cities like Santa Monica and could be replicated elsewhere.

Srivastava and Johnson both emphasized the need for more direct and collective financing mechanisms. Srivastava called for the state to develop a direct financing option for multifamily affordable and moderate-income housing. Meanwhile, Johnson suggested a unified approach to bring all financing partners together to streamline the development process, reduce timeframes, and align housing and labor policies effectively.

Dunmoyer highlighted the necessity for permit and post-entitlement reform. He proposed removing silos within government that delay housing projects, suggesting that simplifying the permit process could encourage more developers to build without needing subsidies.

Carvajal pointed out the critical need for consistent funding for housing. She noted the significant impact of the loss of redevelopment funds on housing production and argued for stable, ongoing funding at the local level to support long-term housing solutions, to enable jurisdictions to plan for and execute housing strategies more effectively.



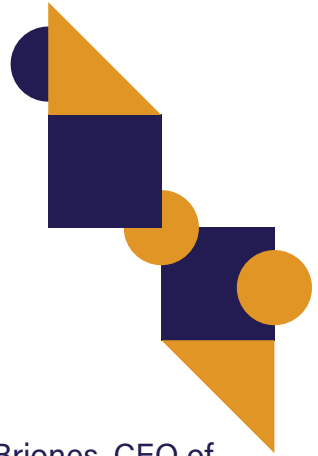
Christopher Johnson, Vice President of Development at Related California Affordable and Sujata Srivastava, Chief Policy Officer at the San Francisco Bay Area Planning and Urban Research Association (SPUR)

CONCLUSION

Panelists provided a thoughtful examination of the challenges and potential solutions to California’s housing crisis. They underscored the multifaceted nature of housing barriers and emphasized the need for innovative regulatory and financial strategies to address them. The panelists collectively advocated for significant changes, such as the removal of bureaucratic hurdles which has been shown to effectively increase housing production, as evidenced by the surge in ADU development and the builder’s remedy.

Moreover, they stressed the importance of consistent and strategic funding and financing mechanisms, along with a comprehensive approach that includes both legislative and policy reforms. This dialogue highlights the critical intersection of policy, financing, and regulation in shaping the future of housing in California, suggesting that a concerted and well-resourced effort is essential to making substantial progress for a more robust housing supply.

PANEL – SHAPING POLICY: THE DYNAMICS OF HOUSING AND POLITICS IN CALIFORNIA



The “Shaping Policy: The Dynamics of Housing and Politics in California” panel, moderated by Dan Schnur, Professor at USC Annenberg School for Communication & Journalism, delved deeply into the political landscape that shapes state and local housing policy. The discussion brought together figures such as Darrell Steinberg, then Mayor of Sacramento; Tomiquia Moss, Secretary of the California Business, Consumer Services

& Housing Agency; Adam Briones, CEO of California Community Builders; Mary Leslie, President of the Los Angeles Business Council (LABC); and Shane Phillips, Housing Initiative Manager at UCLA Lewis Center for Regional Policy Studies. Their insights aimed to unravel how political decisions influence housing markets and identify strategic paths forward amidst a complex regulatory and economic landscape.

KEY TAKEAWAYS:

- 1 Growing Acknowledgment of Housing Crisis:** Over the past decade, housing policy discussions have shifted from being sidelined to prioritized, with political recognition of the crisis's impact on economic stability and human dignity. Panelists noted this shift is notably evidenced by the alarming number of unhoused residents in Los Angeles City and County, totaling 45,000 and 75,000 respectively.
- 2 Addressing Racial Disparities:** Most Californian renters spend more than 30% of their income on housing, emphasizing the severity of the housing affordability crisis. The panel revealed stark statistics that while the Bay Area added 450,000 jobs from 2000 to 2010, only 50,000 housing units were constructed, illustrating a severe imbalance and exacerbating housing shortages.
- 3 Need for Comprehensive Housing Solutions:** Panelists stressed the need for both affordable and market-rate housing. Strategies like scaled-up streamlined approvals and minimized fees, successful with ADUs, should be expanded to larger developments to effectively address the housing shortage.
- 4 Discrepancy Between Desire and Production:** Despite a desire among 74% of Los Angeles residents to achieve homeownership, actual housing production falls short, with significant challenges in scaling solutions to meet demands. This reflects a substantial disconnect between public desire and the practical realities of housing availability.



(L-R) Dan Schnur, Professor at USC Annenberg School for Communication & Journalism; Adam Briones, CEO of California Community Builders; Mary Leslie, President of the Los Angeles Business Council (LABC); Tomiquia Moss, Secretary of the California Business, Consumer Services & Housing Agency and Shane Phillips, Housing Initiative Manager at UCLA Lewis Center for Regional Policy Studies, and Darrell Steinberg, then Mayor of Sacramento

SHIFTING POLITICAL CONVERSATION AROUND HOUSING

Schnur questioned panelists on how the increasing political attention is reshaping state strategies to tackle the housing crisis. Steinberg, a long-time state politico, shared his experiences of the evolution in the housing conversation. He said, "Ten years ago it was difficult if not impossible to have a major policy discussion — at least as a priority — about housing."

Steinberg highlighted a pivotal moment when he helped negotiate a 35% allocation of the cap-and-trade fund for affordable housing, marking a significant shift toward securing permanent funding for housing initiatives. This effort, he noted, was symptomatic of a broader change, reflecting a growing recognition of the housing crisis and its implications.

Moss pointed out the stark reality facing many Californians, illustrating the depth of the affordability crisis. A majority of California renters are cost burdened, spending more than 30% of their income on housing. Moss further emphasized the critical nature of housing, stating, "We still look at housing as a singular issue, and it is actually foundational to all of the other ways in which Californians live our lives."

Highlighting the mismatch between employment growth and housing development, Moss presented a stark statistic: between 2000 and 2010, the Bay Area added 450,000 jobs but only constructed 50,000 housing units. This severe imbalance exacerbates the ongoing housing shortages.

Phillips noted the evolution of the political conversation around housing, acknowledging that it has been slow to manifest. He pointed out that the discourse has shifted from denial of a housing shortage to a consensus on the need for both affordable and market-rate housing.

Phillips highlighted the challenges of focusing too narrowly on affordable housing alone, citing the rising costs in Los Angeles where building affordable housing can cost over \$600,000 per unit. Emphasizing the need for comprehensive solutions, Phillips advocated for scaling up streamlined approvals and minimizing fees, approaches proven effective with ADUs. He suggested that these strategies should be applied more broadly to larger housing developments to address the overall housing shortage effectively.

Leslie pointed out the dire performance in building middle-income housing. Noting that while the City of Los Angeles had made significant progress on market-rate and affordable housing, "the middle was a failure," with only about 3% of necessary housing being built. Leslie highlighted the stark contrasts with the view of 74% of Los Angeles residents

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**- SEC. TOMIQUIA MOSS,
CALIFORNIA BUSINESS,
CONSUMER SERVICES
& HOUSING AGENCY**

questioned in a LABC/*Los Angeles Times* survey who still aspire to achieve homeownership, revealing a significant disconnect between desire and reality in housing availability.

Briones piggybacked on Leslie's remarks discussing middle-income housing. He stressed that the housing crisis has historically impacted lower- and moderate-income people of color disproportionately. He highlighted the fact that 60% of middle-income families in California are people of color, underscoring the importance of addressing their needs in housing policies. He advocated for solutions that allow for the development of unsubsidized housing for middle income families, emphasizing that serving this demographic is integral to serving California's diverse community.

BALANCING LOCAL CONTROL AND STATE MANDATES IN HOUSING DEVELOPMENT



Local control has long been a bastion of community autonomy, but according to Steinberg, it may also be one of the most significant impediments to housing development. Steinberg argued that while local control is an important value, it should not be absolute, especially when it hampers the development of much-needed housing. “There’s no legal requirement to build housing. It’s a pure economic commodity,” he said. This mindset, he believes, undermines the urgency and necessity of housing as a fundamental societal need.

Moss supported Steinberg's call for a reevaluation of local control, emphasizing the dire need to increase housing production in California. She highlighted the state's goal to permit 2.5 million new homes by 2030 to address the ongoing housing shortage. Moss pointed out the systemic barriers that complicate housing development, attributing them to outdated and restrictive local policies that fail to support the state's broader housing objectives. Moss offered hope for collaborative efforts, saying, “I think there can be a balance of state and local control, but it has to be with the end goal of getting to our broader housing goals.”

Phillips further emphasized the tension between local and state control, suggesting that sometimes the state needs to impose standards to overcome local resistance. He argued that while local control allows for tailored solutions,

it often hinders comprehensive state-wide progress on housing due to varied local interests and political challenges.

Phillips pointed out, “Realistically, the politics [of housing] are just very hard at the local level,” suggesting that ambitious state-level reforms could circumvent these local political hurdles and facilitate broader housing solutions. His perspective highlights the need for a balanced approach where state mandates complement local efforts, ensuring no community bears an undue burden of development while contributing to overall housing goals.



Adam Briones, CEO of California Community Builders; Mary Leslie, President of the Los Angeles Business Council (LABC); and Tomiquia Moss, Secretary of the California Business, Consumer Services & Housing Agency

DENSITY AND POLITICAL WILL FOR DEVELOPMENT

Briones highlighted the potential economic benefits of zoning changes, particularly for middle-class aspiring homeowners. He argued that allowing more density — such as ADUs, duplexes, and quads — can significantly reduce housing costs by sharing land expenses among multiple units. However, Briones pointed out a critical barrier: the financial sector’s hesitancy to fund smaller projects, stressing the state’s role in improving the economics for developers to build such housing solutions.

Leslie expressed skepticism about the political will necessary to achieve the needed scale of housing production. She referenced her experiences in Los Angeles, where only half of a targeted 500,000 units were built, leaving a significant shortfall. Leslie candidly noted, “I do not think there is the political will to reach the scale we need,” lamenting the lack of commitment at the local level to implement necessary changes. She argued the lack of will is partially due to the ongoing homelessness challenges, where she pointed out that Los Angeles City and County unhoused residents total 45,000 and 75,000, respectively.

CONCLUSION

Panelists provided an insightful discourse into how intertwined housing issues are with political strategies, laying a foundation for more nuanced approaches to California’s pressing housing needs. Through the diverse perspectives of policymakers, business leaders, and advocates, the panel underscored the urgent necessity for comprehensive strategies that go beyond traditional policy frameworks to address both the visible and underlying challenges of the housing crisis.

As California continues to grapple with an unprecedented affordability crisis, the discussion highlighted the critical role of political will, community engagement, and innovative solutions in reshaping housing policies across the state. This collaborative approach, embracing both market-rate and affordable housing solutions while challenging the constraints of local control, aims to bridge the significant gaps between current production levels and the actual housing needs of Californians.



KEYNOTE: DR. DOUGLAS W. DIAMOND



In his keynote address, Douglas Diamond, Nobel laureate and Merton H. Miller Distinguished Service Professor of Finance at the University of Chicago Booth School of Business, explored the complexities and dual nature of mortgage policies in the U.S., particularly focusing on the 30-year fixed mortgage. Self-titling his talk, “Housing Finance, Good and Evil

Mortgages, and the Broken Housing Market,” Diamond’s discussion traced the evolution of housing finance from the Great Depression to current market dynamics. He highlighted the cyclical relationship between financial crises and housing finance reforms, leveraging his extensive research background in financial intermediaries, crises, and liquidity.

KEY TAKEAWAYS:

- 1 Historical Context and Policy Evolution:** Diamond outlined the development of housing finance policies beginning in the 1930s, discussing how these policies have vacillated between beneficial and detrimental. He noted that while the 30-year fixed mortgage was initially seen as a stabilizing force for housing finance, it has also contributed to financial instability during periods of rising interest rates.
- 2 The 30-Year Fixed Mortgage — A Double-Edged Sword:** The keynote emphasized problematic aspects of the 30-year fixed mortgage, comparing parts to federal flood insurance. While flood insurance intends to provide security, it also often encourages risky behavior — such as building in flood-prone areas. Similarly, the 30-year fixed mortgage, when paired with certain policies, can encourage risky financial behaviors and market distortions.
- 3 Impact of Monetary Policies and Financial Crises:** Diamond critically analyzed the role of various monetary policies and their unintended consequences on the housing market. He highlighted key moments, such as the savings and loan crisis (S&L crisis) and the 2008 financial crisis, where policy responses to previous crises inadvertently laid the groundwork for the next.
- 4 Trends and Future Outlook:** Looking forward, Diamond predicted that the combination of higher interest rates and the prevalent use of the 30-year fixed mortgage could hinder the growth of the housing market for a more prolonged period. He highlighted the need for a reevaluation of housing finance, one that aligns more closely with economic realities and addresses both the lessons from past crises and the challenges posed by contemporary conditions.



HISTORICAL CONTEXT AND POLICY EVOLUTION

Dr. Diamond began by reflecting on the historical context of housing finance, dating back to the 1930s. His observations, throughout decades of research, note that financial crises mostly all trace back to housing mortgage finance and the unintended consequences of government policy changes after a financial crisis. This phenomenon transforms a “good” mortgage into a “bad” one.

He critically examined the shifts in government policy over the decades, particularly highlighting the introduction of the 30-year fixed-rate mortgage during the Great Depression as a response to housing finance instability. Dr. Diamond explained that from his research, real estate finance and financial crises go together less like “love and marriage” and more like “thunder and lightning.”

THE ORIGINS AND EVOLUTION OF HOUSING FINANCE

In the wake of the Great Depression, the U.S. government undertook significant reforms to stabilize the housing market, a pivotal moment being the introduction of the Federal Home Loan Bank system to support mortgages. These reforms transformed the landscape of housing finance by shifting from short-term mortgages to more long-term financing options like the 20-year and eventually the 30-year fixed mortgages.

These changes were initially seen as pivotal in preventing future crises by providing homeowners with predictable, stable payments. Over the decades, these policies were adjusted in response to economic shifts, each iteration aiming to refine the balance between encouraging homeownership and maintaining financial stability.

Diamond highlighted the evolution of these policies, critiquing their effectiveness and unintended consequences, such as creating vulnerabilities within financial institutions that would later contribute to financial crises.

CRITICISMS OF THE 30-YEAR FIXED MORTGAGE

Diamond articulated a nuanced criticism of the 30-year fixed mortgage. While the 30-year fixed mortgage provides homeowners with payment certainty, Diamond likened it to federal flood insurance. When the Fed held interest rates at zero and also purchased many mortgage backed securities, it provided a subsidy similar to underpriced flood insurance. The practice may be beneficial in providing security yet potentially encouraging risky behaviors, such as overinvestment in vulnerable housing markets.

He argued that such mortgages, when combined with lenient lending practices and low down-payment requirements, might lead to incorrectly valued housing prices and encourage homeowners to take on excessive debt. The inflexibility of these long-term commitments could also hinder market adaptability, leading to frozen capital when economic conditions shift.



RISKS OF SHORT-TERM DEBT IN LONG-TERM MORTGAGE FINANCING

Diamond critically addressed the dangers that banks face when they fund 30-year fixed-rate mortgages with short-term debt. He starkly noted, “The 30-year fixed-rate mortgage is toxic, it’s evil, when it’s funded by short-term debt.”

This funding strategy exposes banks to severe interest rate risks, particularly during inflationary periods when the costs of short-term debts can increase rapidly. Diamond emphasized, “30-year mortgages don’t mix well with interest rate increases, especially during times of inflation,” highlighting the financial instability this causes.

The mismatch between the long-term returns on mortgages and the volatile costs of short-term borrowing can lead to significant financial distress for banks, akin to the challenges seen in the S&L crisis in the 1980s and 1990s. Diamond suggests that banks need to reconsider their funding strategies to align more closely with the duration of their assets to mitigate these risks.

POLICY IMPLICATIONS AND FINANCIAL CRISES

Each major financial crisis from the S&L crisis to the 2008 financial meltdown has spurred reforms intended to prevent future downturns. However, as Diamond noted, these reforms often have unintended consequences that lay the groundwork for the next crisis.



For instance, policies enacted post-2008 to curb risky mortgage lending inadvertently concentrated risks in other parts of the financial system. Diamond discussed how these cycles of crisis and reform reflect a deeper systemic issue in housing finance. This potentially leads to misdiagnosing the underlying causes of crises, which leads to reforms that fail to address, and sometimes exacerbate, fundamental vulnerabilities.

LOOKING AHEAD: CHALLENGES AND PREDICTIONS

In his closing remarks, Diamond provided a forward-looking analysis of the housing market, heavily influenced by Federal Reserve policies like quantitative easing, which kept mortgage interest rates artificially low. Homeowners with these low rates are reluctant to sell their houses given today’s higher rates. He predicted that persistent higher interest rates paired with the 30-year fixed mortgage will stymie the housing market, keeping it frozen for a longstanding period.

Diamond warned of the potential challenges of the continued misalignment between housing policy and economic realities. He emphasized the need for a reevaluation of housing finance that considers not only the lessons of past crises but also the evolving challenges of modern-day circumstances.



CONCLUSION

Diamond's examination of "Good and Evil Mortgages" provided an analysis of the interplay between government policy, financial markets, and housing finance. By dissecting the historical and ongoing impacts of the 30-year fixed mortgage, Diamond revealed the complexities that policymakers must navigate to foster a more stable and flexible housing market. His insights underscore the necessity for careful consideration of the long-term effects of housing finance policies and the importance of preparing for unintended consequences.

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